

Auditing Procedures Report V1.04



Issued under Public Act 2 of 1968, as amended.

Unit Name Duplain Township	County CLINTON	Type TOWNSHIP	MuniCode 19-1-060
Opinion Date-Use Calendar Jul 18, 2008	Audit Submitted-Use Calendar Aug 14, 2008	Fiscal Year-Use Drop List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 168,277.00
General Fund Expenditure:	\$ 136,041.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 147,255.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

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**Township of Duplain
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Township of Duplain
Clinton County, Michigan
March 31, 2008
BOARD OF TRUSTEES

Kam Washburn	Supervisor
Richard Bates	Clerk
Amy Bowen	Treasurer
Matthew Peck	Trustee
Russell Schoch	Trustee

Township of Duplain
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Duplain
Elsie, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Duplain, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Duplain's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township of Duplain, Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 18, 2008

Township of Duplain
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

The following is a discussion and analysis of the Township of Duplain (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2008. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- State shared revenue, the Township's largest revenue source in the General Fund, was approximately \$87,651 this year.
- Total fund balances related to the Township's governmental funds increased by \$32,236.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Duplain as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Duplain in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Duplain acts solely as a trustee or agent for the benefit of those outside the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007 and March 31, 2008.

	Years Ended March 31,	
	<u>2007</u>	<u>2008</u>
Assets		
Current assets	\$ 209,707	\$ 241,263
Capital assets	<u>127,099</u>	<u>122,387</u>
Total assets	336,806	363,650
Liabilities		
Current liabilities	4,214	204
Net Assets		
Invested in capital assets, Net of related debt	127,099	122,387
Unrestricted	<u>205,493</u>	<u>241,059</u>
Total net assets	<u>\$ 332,592</u>	<u>\$ 363,446</u>

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The Township's total net assets were \$363,446 at March 31, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$241,059 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$122,387.

The following table shows the changes in net assets for the year ended March 31, 2007 and March 31, 2008.

	Years Ended March 31,	
	<u>2007</u>	<u>2008</u>
Revenue		
Program revenue:		
Charges for services	\$ 17,439	\$ 19,641
Operating grants and contributions	3,611	3,634
General revenue:		
Property taxes	145,318	137,999
State shared revenue	86,925	87,651
Investment earnings	490	1,056
Other revenue	<u>6,113</u>	<u>741</u>
Total revenue	259,896	250,722
Program Expenses		
General government	100,380	87,381
Public safety	64,975	49,780
Public works	45,905	37,248
Health and welfare	18,632	35,960
Community and economic development	2,992	-
Recreation and cultural	<u>8,526</u>	<u>9,499</u>
Total program expenses	<u>241,410</u>	<u>219,868</u>
Change in Net Assets	<u>\$ 18,486</u>	<u>\$ 30,854</u>

Governmental Activities

The Township's governmental revenues totaled \$250,722 with the greatest revenue sources being property taxes and State Revenue Sharing. Property taxes and State Revenue Sharing make up approximately 55% and 35% percent, respectively, of total governmental revenue.

The Township incurred expenses of \$219,868 during the year. The majority of governmental expense is associated with the general government function, which includes Township Board, Supervisor, Clerk, and Treasurer. The second highest level of expense is incurred in the public safety area, which includes fire protection services.

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Duplain as a whole. The Township of Duplain's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2008 include the General Fund and the Emergency Services Fund.

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general government activities, which incurred expenditures of \$106,755 for the fiscal year. Emergency services are partially supported by a special public safety millage, which is recorded in the Emergency Services Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments, with the exception of one line item in the General Fund and one line item in the Emergency Services Fund, which had a negligible actual over adjusted budget expenditure, to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of various minor increased costs over certain budgeted line items. However, because all departments came in under budget at year end, there was an overall favorable variance of approximately \$65,047 from budget.

Capital Asset

At the end of the fiscal year, the Township had approximately \$122,387 invested in a broad range of capital assets, including buildings, land, and equipment net of accumulated depreciation. In addition, the Township has made certain investments in roads and drains within the Township of Duplain. These assets are not reported in the Township of Duplain's fund statements, because under Michigan law, these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (989) 862-4522.

BASIC FINANCIAL STATEMENTS

Township of Duplain
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 207,837
Due from other governmental units - local	13,426
Due from others	<u>20,000</u>
Total current assets	241,263
Noncurrent assets	
Capital assets not being depreciated	7,001
Capital assets, net of accumulated depreciation	<u>115,386</u>
Total noncurrent assets	<u>122,387</u>
TOTAL ASSETS	363,650
LIABILITIES	
Current liabilities	
Accounts payable	<u>204</u>
NET ASSETS	
Invested in capital assets	122,387
Unrestricted	<u>241,059</u>
TOTAL NET ASSETS	<u>\$ 363,446</u>

See accompanying notes to financial statements.

Township of Duplain
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 87,381	\$ 19,641	\$ -	\$ (67,740)
Public safety	49,780	-	-	(49,780)
Public works	37,248	-	3,634	(33,614)
Health and welfare	35,960	-	-	(35,960)
Recreation and cultural	9,499	-	-	(9,499)
Total governmental activities	<u>\$ 219,868</u>	<u>\$ 19,641</u>	<u>\$ 3,634</u>	(196,593)
General revenues:				
Property taxes				137,999
State shared revenue				87,651
Investment earnings				1,056
Other				<u>741</u>
Total general revenues				<u>227,447</u>
Change in net assets				30,854
Net assets, beginning of the year				<u>332,592</u>
Net assets, end of the year				<u>\$ 363,446</u>

See accompanying notes to financial statements.

Township of Duplain

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Emergency Services	Total Governmental Funds
ASSETS			
Cash	\$ 132,498	\$ 75,339	\$ 207,837
Due from County	6,140	7,286	13,426
Due from other funds	821	-	821
Due from others	8,000	2,000	10,000
TOTAL ASSETS	<u>\$ 147,459</u>	<u>\$ 84,625</u>	<u>\$ 232,084</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 204	\$ -	\$ 204
Due to other funds	-	821	821
TOTAL LIABILITIES	204	821	1,025
FUND BALANCES			
Unreserved			
Undesignated, reported in:			
General Fund	147,255	-	147,255
Special Revenue Fund	-	83,804	83,804
TOTAL FUND BALANCES	<u>147,255</u>	<u>83,804</u>	<u>231,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 147,459</u>	<u>\$ 84,625</u>	<u>\$ 232,084</u>

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balances - governmental funds \$ 231,059

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	238,783	
Accumulated depreciation is	<u>(116,396)</u>	
Capital assets, net		122,387

Amounts loaned to joint venture ambulance service that are not expected to be received in the current period are not reported as assets in the funds.	<u>10,000</u>
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Net assets of governmental activities \$ 363,446

See accompanying notes to financial statements.

Township of Duplain

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	General	Emergency Services	Total Governmental Funds
REVENUES			
Taxes	\$ 75,216	\$ 82,424	\$ 157,640
Intergovernmental	91,285	-	91,285
Interest	1,035	21	1,056
Other	741	-	741
	<u>168,277</u>	<u>82,445</u>	<u>250,722</u>
TOTAL REVENUES	168,277	82,445	250,722
EXPENDITURES			
Current			
General government	82,669	-	82,669
Public safety	6,625	43,155	49,780
Public works	37,248	-	37,248
Health and welfare	-	35,960	35,960
Recreation and cultural	9,499	-	9,499
	<u>136,041</u>	<u>79,115</u>	<u>215,156</u>
TOTAL EXPENDITURES	136,041	79,115	215,156
NET CHANGE IN FUND BALANCES	32,236	3,330	35,566
Fund balances, beginning of year	<u>115,019</u>	<u>80,474</u>	<u>195,493</u>
Fund balances, end of year	<u>\$ 147,255</u>	<u>\$ 83,804</u>	<u>\$ 231,059</u>

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ 35,566

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense (4,712)

Change in net assets of governmental activities \$ 30,854

See accompanying notes to financial statements.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Duplain, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of Township of Duplain. The Township has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of Township of Duplain contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities, which are considered to be joint ventures in relation to the Township, due to the formation of an organization by an agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Elsie Area Ambulance Service - The Township of Duplain, in conjunction with the Townships of Chapin and Fairfield, has entered into an agreement which created the Elsie Area Ambulance Services, Inc., a Michigan nonprofit Corporation. The Corporation's Board is composed of the Supervisors from each Township. Duplain Township's Supervisor is the president of Elsie Area Ambulance Service, Inc.

Each Township is responsible to contribute annually to the Ambulance Service an amount equal to \$17.49 per capita to cover operational costs. The Township paid \$35,960 to the Ambulance Service for the year ended March 31, 2008.

Elsie Area Fire Association - Duplain Township, in conjunction with Fairfield and Chapin Townships, and the Village of Elsie has entered into an agreement which created the Elsie Area Fire Association. Each municipality appoints one individual and the fire department appoints one individual at large to the governing body of the Fire Association. The at large member shall not be a member of, or associated with, the fire department.

For the year ended March 31, 2008, the Township paid the Association \$35,455 as a "ready to serve" fee and \$7,700 for fire runs.

The financial activities of the Elsie Area Fire Association are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended March 31, 2007, are available from the Association. As of March 31, 2007, the Association had a fund balance of \$57,328.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Emergency Services Fund - The Emergency Services Fund is used to account for the proceeds of specific revenue sources, such as property taxes, that are used to finance emergency services activities such as fire protection and ambulance service.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental funds financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected as required supplementary information to the financial statements:

- a. Prior to April 1, the budget is legally adopted for the General Fund on a departmental (activity) level and the Special Revenue Fund is legally adopted at the fund level through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

7. Cash

Cash consists of money market checking or savings accounts.

8. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

9. Due From Others

Due from others consist of amounts due from Elsie Area Ambulance Service.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, buildings, and building additions and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	20 - 40 years
-------------------------	---------------

11. Property Taxes

The Township of Duplain bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for emergency services. For the year ended March 31, 2008, the Township levied 0.9770 mills per \$1,000 of assessed valuation for general governmental services and 1.4654 mills for emergency services. The total taxable value for the 2007 levy for property within the Township was \$55,745,093.

12. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Township of Duplain is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2008, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 206,535	\$ 217,649
Savings	<u>1,302</u>	<u>1,302</u>
	<u>\$ 207,837</u>	<u>\$ 218,951</u>

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The bank balances as of March 31, 2008, were insured by the FDIC for \$101,302. The remaining balance of \$117,649 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2008, are as follows:

Due to General Fund from:	
Emergency Services Fund	\$ <u>821</u>

Amounts appearing as interfund payables and receivables arise from transactions where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance <u>April, 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,001	\$ -	\$ -	\$ 7,001
Capital assets being depreciated				
Buildings and additions	231,782	-	-	231,782
Less accumulated depreciation for:				
Buildings and additions	<u>(111,684)</u>	<u>(4,712)</u>	<u>-</u>	<u>(116,396)</u>
Net capital assets being depreciated	<u>120,098</u>	<u>(4,712)</u>	<u>-0-</u>	<u>115,386</u>
Capital assets, net	<u>\$ 127,099</u>	<u>\$(4,712)</u>	<u>\$ -0-</u>	<u>\$ 122,387</u>

Depreciation expense of \$4,712 was included in the general government function on the statement of activities.

NOTE E: RISK MANAGEMENT

The Township is exposed to various risks of loss including in-land marine, property, liability, and workers compensation for which the Township carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 57,500	\$ 57,500	\$ 55,575	\$ (1,925)
Administration fees	20,200	20,200	19,641	(559)
Total taxes	77,700	77,700	75,216	(2,484)
Intergovernmental				
State revenue sharing	87,500	87,500	87,651	151
Metro act	1,500	1,500	3,634	2,134
Total intergovernmental	89,000	89,000	91,285	2,285
Charges for services	94,610	-	-	-0-
Interest	400	400	1,035	635
Other	8,000	8,000	741	(7,259)
TOTAL REVENUES	269,710	175,100	168,277	(6,823)
EXPENDITURES				
General government				
Township Board	44,920	43,180	20,775	22,405
Supervisor	9,400	9,400	9,041	359
Elections	4,850	5,150	1,307	3,843
Assessor	19,075	20,515	17,508	3,007
Clerk	14,550	14,550	14,466	84
Board of review	550	550	450	100
Treasurer	16,600	16,600	15,322	1,278
Township hall	3,500	3,500	-	3,500
Cemetery	5,300	5,300	3,800	1,500
Total general government	118,745	118,745	82,669	36,076
Public safety				
Fire protection	8,000	8,000	6,625	1,375
Public works				
Highways, streets, and bridges	36,218	36,218	34,266	1,952
Drains	5,000	5,000	2,982	2,018
Total public works	41,218	41,218	37,248	3,970
Community and economic development				
Planning and zoning	21,125	21,125	-	21,125

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Recreation and cultural				
Parks and recreation	\$ 7,500	\$ 7,500	\$ 5,500	\$ 2,000
Library	4,500	4,500	3,999	501
Total recreation and cultural	12,000	12,000	9,499	2,501
TOTAL EXPENDITURES	201,088	201,088	136,041	65,047
NET CHANGE IN FUND BALANCE	68,622	(25,988)	32,236	58,224
Fund balance, beginning of year	115,019	115,019	115,019	-0-
Fund balance, end of year	\$ 183,641	\$ 89,031	\$ 147,255	\$ 58,224

Township of Duplain
Emergency Services Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 6,900	\$ 6,900	\$ 82,424	\$ 75,524
Interest	100	100	21	(79)
TOTAL REVENUES	7,000	7,000	82,445	75,445
EXPENDITURES				
Public safety				
Contracted services	46,955	46,955	43,155	3,800
Health and welfare				
Contracted services	35,960	35,960	35,960	-0-
TOTAL EXPENDITURES	82,915	82,915	79,115	3,800
NET CHANGE IN FUND BALANCE	(75,915)	(75,915)	3,330	79,245
Fund balance, beginning of year	80,474	80,474	80,474	-0-
Fund balance, end of year	\$ 4,559	\$ 4,559	\$ 83,804	\$ 79,245

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees
Township of Duplain
Elsie, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Duplain, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Duplain's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Township prepares monthly financial reporting at the fund level. However, the annual audited financial statements for the year ended March 31, 2008 for the Township required significant audit adjustments. This issue was noted and reported in our audit comments last year.

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The staff at the Township of Duplain understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process.

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of due from others, taxes receivable, and accounts payable were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

FORMAL POLICIES REQUIRED BY MICHIGAN COMPILED LAW

Based on our discussions with management, we noted that the Township Board has not formally adopted an investment policy as required by Michigan Compiled Law. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible and remain in compliance with State laws. This issue was noted and reported in our audit comments last year.

We recommend the Board adopt a formal investment policy that complies with Public Act 20 of 1943. Such formal adoption should be documented in the minutes to the Board meeting. The policy should address the issues of authorized investments, custodial credit risk, concentration of credit risk, and interest rate risk.

This report is intended solely for the information and use of management and Members of the Board of Trustees of the Township of Duplain, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 18, 2008